

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Lake Odessa</b>	County <b>Ionia</b>
Audit Date <b>2/29/04</b>	Opinion Date <b>8/30/04</b>	Date Accountant Report Submitted to State: <b>8/31/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

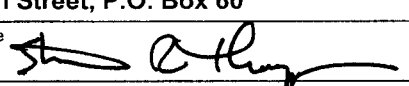
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Biggs, Hausserman, Thompson &amp; Dickinson, P.C.</b>			
Street Address <b>356 East Main Street, P.O. Box 60</b>		City <b>Saranac</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48881</b>	
		Date <b>8/31/04</b>	

**VILLAGE OF LAKE ODESSA**  
**IONIA COUNTY, MICHIGAN**  
**GENERAL PURPOSE FINANCIAL STATEMENTS WITH**  
**SUPPLEMENTAL FINANCIAL INFORMATION**  
February 29, 2004

Village of Lake Odessa  
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February 29, 2004

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INDEPENDENT AUDITOR'S REPORT

Honorable President and  
Members of the Village Council  
Village of Lake Odessa, Michigan 48849

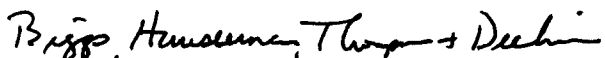
We have audited the accompanying general purpose financial statements of the Village of Lake Odessa, Michigan as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Lake Odessa's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Village of Lake Odessa, as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 30, 2004, on our consideration of the Village of Lake Odessa's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statement of the Village of Lake Odessa. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Biggs, Hausserman, Thompson & Dickinson, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

Saranac, Michigan  
August 30, 2004

## GENERAL PURPOSE FINANCIAL STATEMENTS

Village of Lake Odessa  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 February 29, 2004

	Governmental Fund Types	
	General	Special Revenue
<b>Assets</b>		
Cash	\$ 381,073	\$ 265,588
Investments	0	0
Accounts receivable	8,876	0
Note receivable	0	0
Taxes receivable	13,899	8,283
Interest receivable	0	331
Assessment receivable	0	14,807
Due from other funds	40,843	11,953
Due from other governments	42,923	29,411
Fixed assets, net of accumulated depreciation	0	0
Amount to be provided from general fund revenues	0	0
<b>Total assets</b>	<b>\$ 487,614</b>	<b>\$ 330,373</b>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable	\$ 8,925	\$ 61,145
Accrued expense	0	0
Compensated absences	0	0
Due to other funds	3,047	11,130
Due to other governments	0	0
Note payable	0	0
Bonds payable	0	0
<b>Total liabilities</b>	<b>11,972</b>	<b>72,275</b>
<b>Fund Equity</b>		
Investment in general fixed assets	0	0
Retained earnings-unreserved	0	0
Fund balances		
Unreserved: Designated	51,691	0
Undesignated	423,951	258,098
<b>Total fund equity</b>	<b>475,642</b>	<b>258,098</b>
<b>Total liabilities and fund equity</b>	<b>\$ 487,614</b>	<b>\$ 330,373</b>

Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals
Enterprise	Trust and Agency	General Fixed Assets	General Long- Term Debt	(Memorandum Only) February 29, 2004
\$ 426,863	\$ 6,411	\$ 0	\$ 0	\$ 1,079,935
0	433,431	0	0	433,431
59,408	0	0	0	68,284
0	19,839	0	0	19,839
0	0	0	0	22,182
828	0	0	0	1,159
0	0	0	0	14,807
4,150	0	0	0	56,946
0	0	0	0	72,334
1,198,830	0	1,060,175	0	2,259,005
0	0	0	75,121	75,121
<u>\$ 1,690,079</u>	<u>\$ 459,681</u>	<u>\$ 1,060,175</u>	<u>\$ 75,121</u>	<u>\$ 4,103,043</u>
\$ 10,999	\$ 0	\$ 0	\$ 0	\$ 81,069
3,887	0	0	0	3,887
0	0	0	3,622	3,622
36,685	6,084	0	0	56,946
0	327	0	0	327
71,499	0	0	71,499	142,998
255,000	0	0	0	255,000
378,070	6,411	0	75,121	543,849
0	0	1,060,175	0	1,060,175
1,312,009	0	0	0	1,312,009
0	453,270	0	0	504,961
0	0	0	0	682,049
<u>1,312,009</u>	<u>453,270</u>	<u>1,060,175</u>	<u>0</u>	<u>3,559,194</u>
<u>\$ 1,690,079</u>	<u>\$ 459,681</u>	<u>\$ 1,060,175</u>	<u>\$ 75,121</u>	<u>\$ 4,103,043</u>

Village of Lake Odessa  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**  
 Year Ended February 29, 2004

	General	Special Revenue	Totals (Memorandum Only)
<b>Revenues</b>			
Taxes and special assessments	\$ 407,115	\$ 207,259	\$ 614,374
Licenses and permits	8,212	0	8,212
State grants	256,850	158,150	415,000
Interest/miscellaneous	45,295	0	45,295
Reimbursements/refunds	121,869	0	121,869
<b>Total revenues</b>	<b>839,341</b>	<b>365,409</b>	<b>1,204,750</b>
<b>Expenditures</b>			
General government	231,053	0	231,053
Public safety	290,621	0	290,621
Public services	188,275	0	188,275
Highways and streets	0	645,762	645,762
Culture/recreation	68,826	0	68,826
Debt services			
Redemption of principle	11,000	0	11,000
Interest expense	3,147	0	3,147
<b>Total expenditures</b>	<b>792,922</b>	<b>645,762</b>	<b>1,438,684</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>46,419</b>	<b>(280,353)</b>	<b>(233,934)</b>
<b>Other financing sources (uses)</b>			
Operating transfers in	0	32,569	32,569
Operating transfers out	0	(32,569)	(32,569)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess (deficiency) of revenues over expenditures and other sources (uses)</b>	<b>46,419</b>	<b>(280,353)</b>	<b>(233,934)</b>
<b>Fund balances at beginning of year</b>	<b>429,223</b>	<b>538,451</b>	<b>967,674</b>
<b>Fund balances at end of year</b>	<b>\$ 475,642</b>	<b>\$ 258,098</b>	<b>\$ 733,740</b>

Village of Lake Odessa  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
 Year Ended February 29, 2004

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes and special assessments	\$ 391,650	\$ 407,115	\$ 15,465
Licenses and permits	8,500	8,212	(288)
State grants	256,800	256,850	50
Interest and miscellaneous	44,800	45,295	495
Reimbursements	38,000	121,869	83,869
Total revenues	739,750	839,341	99,591
Expenditures			
General government	268,910	231,053	37,857
Public safety	320,945	290,621	30,324
Highways/streets transportation	190,155	188,275	1,880
Culture/recreation	83,125	68,826	14,299
Debt service			
Redemption of principle	14,200	11,000	3,200
Interest expense	0	3,147	(3,147)
Total expenditures	877,335	792,922	84,413
Excess (deficiency) of revenues over expenditures	(137,585)	46,419	184,004
Other financing sources (uses)			
Operating transfers in	0	0	0
Operating transfers out	0	0	0
Total other financing sources (uses)	0	0	0
Excess (deficiency) of revenues over expenditures and other sources (uses)	\$ (137,585)	46,419	\$ 184,004
Fund balances at beginning of year		429,223	
Fund balances at end of year		\$ 475,642	

Special Revenue		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 222,200	\$ 200,305	\$ (21,895)
0	0	0
155,000	158,150	3,150
9,000	6,081	(2,919)
0	873	873
386,200	365,409	(20,791)
0	0	0
0	0	0
627,500	645,762	(18,262)
0	0	0
0	0	0
0	0	0
627,500	645,762	(18,262)
(241,300)	(280,353)	(39,053)
28,000	32,569	4,569
(28,000)	(32,569)	(4,569)
0	0	0
\$ (241,300)	(280,353)	\$ (39,053)
	538,451	
	\$ 258,098	

Village of Lake Odessa  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN RETAINED EARNINGS/FUND BALANCES  
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS  
 Year Ended February 29, 2004

	Proprietary Fund Types Water Fund	Fiduciary Fund Types Pension Trust	Totals (Memorandum only)
Operating Revenue			
Charges for services	\$ 379,235	\$ 0	\$ 379,235
Earnings on investments	0	125,486	125,486
Employer contributions	0	20,374	20,374
Employee contributions	0	24,132	24,132
Total operating revenue	379,235	169,992	549,227
Operating Expenses			
Cost of services	360,981	0	360,981
Benefits	0	74,718	74,718
Total operating expenses	360,981	74,718	435,699
Operating income (loss)	18,254	95,274	113,528
Non-Operating Income (Expenses)			
Interest income	9,250	0	9,250
Grant	7405	0	7,405
Interest and fiscal charges	(21,248)	0	(21,248)
Total non-operating income	(4,593)	0	(4,593)
Net income	13,661	95,274	108,935
Retained earnings/fund balance, beginning of year	1,298,348	357,996	1,656,344
Retained earnings/fund balance, end of year	\$ 1,312,009	\$ 453,270	\$ 1,765,279

Village of Lake Odessa  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 Year Ended February 29, 2004

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 375,779
Cash payments for goods and services	(134,910)
Cash payments to employees	(126,650)
Cash payments for employee benefits	(50,037)
Net cash provided by operating activities	<u>64,182</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(133,634)
Principal payments	(66,000)
Interest payments	(21,248)
Grant proceeds	7,405
Net cash provided (used) by capital and related financing activities	<u>(213,477)</u>
Cash flows from investing activities	
Receipts of interest and dividends	9,126
Net cash provided (used) by investing activities	<u>9,126</u>
Net increase (decrease) in cash	(140,169)
Cash and cash equivalents, March 1, 2002	<u>567,032</u>
Cash and cash equivalents, February 28, 2003	<u><u>\$ 426,863</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 18,254
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	45,043
Decrease (increase) in:	
Accounts receivable	(3,456)
(Decrease) increase in:	
Accounts payable	6,367
Accrued expenses	(2,026)
Net cash provided by operating activities	<u><u>\$ 64,182</u></u>

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

NOTE A:     SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lake Odessa conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Village is able to exercise oversight responsibilities.

Based on the above criteria no additional organizations or entities are included in these financial statements.

Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - (Major Street Fund, Local Street Fund and the Highway Fund) - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE A:      SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Funds

Enterprise Fund - (Water Fund) - The Enterprise Fund are used to account for water operations that are financed and operated in a manner similar to private business enterprise. Where the intent of the Village is that the cost of providing service to the general public on a continuing basis be financed or recovered primarily through user charges. The Council applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary Funds

Agency Funds - The Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for other funds.

Pension Trust Fund - This fund accounts for the assets of the employees pension plan.

Fixed Assets and Long-Term Debt

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage system, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the Governmental funds.

These two account groups are not "funds". They are concerned only with measurement of financial position. They are not involved with measurement of results or operations.

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fixed Assets and Long-Term Debt - continued

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred until they become current receivables. Non-current portions of long-term loans receivable are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation attributable to fixed assets acquired by State and Federal grants is shown as a reduction to contributed capital. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water Mains	50 Years
Buildings, Plant and Improvements	20-50 Years
Equipment	5 Years
Computer	5 Years

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

All governmental and fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available.

Basis of Accounting - continued

Revenues are generally considered available when they are received in cash (unless legally restricted for some future period), or when expected to be collected soon enough after year-end to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources. Liabilities incurred but not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account group.

The Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Fiduciary Funds are accounted for using the accrual basis of accounting. Agency funds, however, are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Budgets and Budgetary Accounting

Budgets for the 2004 year were adopted by the Village Council in February 2003. The budgets include proposed expenditures and a means of financing them. The budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council.

Employee Leave and Benefits

Hourly employees accumulate 1.85 hours of sick leave for each pay period of service in which he/she works. Upon voluntary termination, with eight years of service with the Village and upon submitting written notice at least two weeks prior to termination, the employee shall be paid for 50% of documented accrued sick leave, not to exceed 20 days, at the current wage rate. Employees that are involuntarily discharged are not eligible for payment of unused sick days. Salaried and hourly employees can carry forward 30 days for use in a subsequent year.

Village employees earn from 10-25 vacation days a year, depending on the length of employment. Vacation time not taken or paid in lieu of prior to March 1st of each year is forfeited. Upon termination all earned and unused vacation pay is paid at the current wage rate.

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

If material, a Proprietary Fund liability is accrued for all earned but unused leave benefits relating to the operations of the Proprietary Funds. A current liability is accrued in the Governmental Fund Types for material leave benefits due on demand to Government Fund employees that have terminated prior to year-end. All other amounts are recorded in the General Long-Term Debt Group of Accounts.

Cash

For the purpose of the cash flows statement, cash is defined as cash in checking and savings accounts, and certificates of deposit, not restricted for debt retirement.

Total Columns on Combined Statements

The totals column on the combined balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Property Taxes

The Village of Lake Odessa bills and collects its own property tax levy. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

The property taxes attach as an enforceable lien on property July 1. Taxes are levied July 1 and are payable through August 31. All property taxes not paid by August 31 are deemed delinquent. Delinquent real property taxes are turned over to Ionia County. Ionia County remits payment to the Village of Lake Odessa on all delinquent real property taxes. Property taxes are recognized as revenues in the period for which they are levied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE B: CASH AND INVESTMENTS

The captions on the combined balance sheet relating to cash, investments, and the amounts in the total (memorandum only) columns as of February 29, 2004, are as follows:

Total (Memorandum Only)	
Cash	<u>\$ 1,079,935</u>
A summary of cash by type:	
Petty cash	\$ 280
Cash in demand or savings accounts	<u>1,079,655</u>
Total	<u><u>\$ 1,079,935</u></u>
Total (Memorandum Only)	
Investments	<u>\$ 433,431</u>
A summary of investments by type:	
Principal Financial Group	<u>\$ 433,431</u>
Total	<u><u>\$ 433,431</u></u>

All investments are held in the name of the Village of Lake Odessa. The Village of Lake Odessa's investments are in accordance with statutory authority, as bank accounts were limited to savings and demand accounts and certificates of deposits. The certificates of deposit are non-negotiable.

The following deposit categories were held at February 29, 2004:

Deposit Type	Category of Credit Risk	Bank Carrying Value	Book Value
Demand and savings accounts	Insured	\$ 100,000	\$ 100,000
Certificates of deposit	Insured	<u>500,000</u>	<u>500,000</u>
Total		<u><u>\$ 600,000</u></u>	<u><u>\$ 600,000</u></u>
Demand and savings accounts	Uncollateralized	\$ 422,497	\$ 415,953
Certificates of deposit	Uncollateralized	<u>63,702</u>	<u>63,702</u>
Total		<u><u>\$ 486,199</u></u>	<u><u>\$ 479,655</u></u>

Investments in the deferred compensation fund are presented at market value in accordance with GASB 31. These assets are mutual fund investments, which are non-risk categorized in the amount of \$433,431.

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE C: CHANGES IN GENERAL FIXED ASSETS

The following is a summary of changes in the general fixed assets account group:

	February 28, 2003	Additions	Deletions	February 29, 2004
Village Hall	\$ 198,377	\$ 0	\$ 0	\$ 198,377
Firehouse and Driveway	67,721	0	0	67,721
Public Works Building	102,255	0	0	102,255
Ambulance Building	12,000	0	0	12,000
Beach House	70,000	0	0	70,000
Park Bathroom	59,547	0	0	59,547
DPW Equipment	154,445	21,000	5,000	170,445
Police Equipment	20,803	0	0	20,803
Fire Equipment	79,535	0	0	79,535
Park Equipment	10,452	0	0	10,452
Office Furniture	35,059	0	0	35,059
Computer Equipment	34,540	0	0	34,540
DPW Vehicles	117,970	0	0	117,970
Police Vehicles	69,871	0	23,400	46,471
Fire Vehicles	35,000	0	0	35,000
Total	<u>\$ 1,067,575</u>	<u>\$ 21,000</u>	<u>28,400</u>	<u>\$ 1,060,175</u>

NOTE D: PROPRIETARY FUNDS PROPERTY, PLANT AND EQUIPMENT

The following is a summary of proprietary fund type property, plant and equipment at February 29, 2004:

Water Fund		Depreciable Life - Years
Building and improvements	\$ 1,522,321	40-50
Machinery and equipment	179,206	5
Total cost	1,701,527	
Less: Accumulated depreciation	(502,697)	
Net fixed assets	<u>\$ 1,198,830</u>	

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE E: LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended February 29, 2004:

	Compensated Absences	Equipment Note	Total
Long-term debt payable at February 28, 2003	\$ 3,557	\$ 82,499	\$ 86,056
Additions	65	0	65
Subtractions	0	(11,000)	(11,000)
Long-term debt payable at February 29, 2004	<u>\$ 3,622</u>	<u>\$ 71,499</u>	<u>\$ 75,121</u>

The equipment note is payable at 4.0% over 84 months. The long-term debt's portion of this loan was for \$82,499, (the other portion is recorded in the water fund.) This loan is payable through November 1, 2009. Future payments are as follows:

	Principle Payment	Interest Payment	Total
2005	\$ 11,457	\$ 2,690	\$ 14,147
2006	11,930	2,217	14,147
2007	12,423	1,724	14,147
2008	12,934	1,213	14,147
2009	13,475	672	14,147
Thereafter	9,280	147	9,427
Total	<u>\$ 71,499</u>	<u>\$ 8,663</u>	<u>\$ 80,162</u>

NOTE F: SCHEDULE OF INDEBTEDNESS

Water

Bonds were issued April 25, 1987 for \$800,000 for water system improvements with the first payment due November 1, 1987. Interest rates ranged from 6.125 to 9.50%. On October 30, 1997, the Village entered into a savings agreement with the Michigan Municipal Bond Authority, reducing the effective rates of interest. Future payments are as follows:

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE F: SCHEDULE OF INDEBTEDNESS - CONTINUED

<u>Payment Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 1, 2003	\$ 0	\$ 8,870	\$
November 1, 2003	55,000	10,463	74,333
May 1, 2004	0	5,831	
November 1, 2004	60,000	5,831	71,662
May 1, 2005	0	4,466	
November 1, 2005	60,000	4,466	68,932
May 1, 2006	0	3,071	
November 1, 2006	65,000	3,071	71,142
May 1, 2007	0	1,544	
November 1, 2008	70,000	(3,456)	68,088
	<u>\$ 310,000</u>	<u>\$ 44,157</u>	<u>\$ 354,157</u>

NOTE G: INTERFUND RECEIVABLES AND PAYABLES

The following schedule highlights interfund receivables and payables at February 29, 2004:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 40,843	\$ 3,047
Water Fund	4,150	36,685
Major Street	0	11,130
Highway Fund	6,702	0
Local Street	5,251	0
Agency Fund	0	6,084
	<u>\$ 56,946</u>	<u>\$ 56,946</u>

NOTE H: RETIREMENT SYSTEM

The Village has a defined contribution pension plan covering substantially all of its general employees. The total pension payments for the year ended February 29, 2004, were \$20,374. Monies are invested in individual annuities in the names of the individuals.

Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 401(k). The plan, which is available to all Village Employees, permits them to defer a portion of their current salary until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, property and/or rights (until made available to the employee or other beneficiary), are solely the property and rights of the Village (without being restricted to the provision of benefits under the plan), subject only to the claims of the Village's general creditors.

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE H: RETIREMENT SYSTEM - CONTINUED

Employee's rights created under the plan are equivalent to those of general creditors of the Village and only in an amount equal to their fair market value of the deferred account maintained with respect to each employee.

In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs. In addition, the Village believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Summary of the activity in the plan for the year ended February 29, 2004, is as follows:

Balance - February 28, 2003	\$	357,996
Contributions - employer		20,374
Contributions - employee		24,132
Net Investment Earnings (Losses)		125,025
Loan Payments		7,140
Payments to Beneficiaries		(75,405)
Change in outstanding loan balance		17,048
New loan issued		(23,040)
Balance - February 29, 2004	\$	<u>453,270</u>

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not adopt a budget in which anticipated expenditures exceed anticipated revenues and fund equity at the beginning of the year, or incur expenditures in excess of the amount appropriated.

During the year ended February 29, 2004, the Village did incur expenditures in budgetary funds that exceeded of the amount appropriated.

	<u>Actual</u>	<u>Budget</u>
Highway Fund	\$ 390,745	\$ 334,400

NOTE J: FUND BALANCE/RETAINED EARNINGS RESERVES

The following amounts have been reserved from the Village's fund balances/retained earnings:

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Equipment	\$ 51,691	\$ 51,691

Village of Lake Odessa  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
February 29, 2004

NOTE K: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Village carries commercial insurance for the above risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The following Enterprise Fund has been created to provide various services to the general public:

Water Fund - established to account for operation to the Village's Water System.

Segment Information for the Enterprise Fund is summarized below for the year ended February 29, 2004.

	Water Fund
Operating revenue	\$ 379,235
Depreciation expense	\$ 45,043
Operating income (loss)	\$ 18,254
Net income transferred to retained earnings	\$ 13,661
Net working capital	\$ 439,678
Operating transfers in	\$ 0
Property plant and equipment additions	\$ 133,634
Total Assets	\$ 1,690,079
Total Equity	\$ 1,312,009

NOTE M: DISTRICT LIBRARY AGREEMENT

On March 1, 1999, a restated district library agreement for the Lake Odessa Community Library became effective. The Village has no financial interest or responsibility in this organization. The Village does appoint four of the eight board members, as does the Township of Odessa. The Village may contribute monies to the library from time to time, but is not obligated to do so. Any contribution will be reported as an expenditure of the Village when made. The fixed assets related to the library have been eliminated from the Village's statements along with the related debt, which was repaid by the new district library board.

SUPPLEMENTAL FINANCIAL INFORMATION

Village of Lake Odessa  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended February 29, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenue			
<u>Taxes</u>			
Current taxes	\$ 385,500	\$ 399,359	\$ 13,859
Trailer fees	700	458	(242)
Interest, penalties and administration fee on taxes	5,450	7,298	1,848
Total taxes	391,650	407,115	15,465
 <u>Licenses and permits</u>			
Business licenses and permits	8,500	8,212	(288)
 <u>State grants</u>			
State shared revenue	256,000	256,850	850
State public safety	800	0	(800)
Total state grants	256,800	256,850	50
 <u>Miscellaneous</u>			
Swimming registration fees	1,800	995	(805)
Interest	12,600	5,519	(7,081)
Ordinance fines	1,500	3,270	1,770
Rentals	3,200	1,342	(1,858)
Miscellaneous	9,150	11,998	2,848
Arts commission	16,550	15,967	(583)
Total miscellaneous	44,800	39,091	(5,709)
 <u>Other transactions</u>			
Reimbursements	38,000	121,869	83,869
Gain on sale of assets	0	6,204	6,204
 Total revenue	739,750	839,341	99,591

Village of Lake Odessa  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended February 29, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Expenditures			
General Government			
Governing Body			
Wages	0	131	(131)
President meeting fee	1,950	1,875	75
Trustees meeting fee	9,000	8,996	4
Treasurer meeting fee	4,000	4,757	(757)
Clerk meeting fee	1,475	1,425	50
Payroll taxes and benefits	1,300	1,493	(193)
Election supplies	1,000	914	86
Notary and bonding	100	40	60
Election fees	500	35	465
Printing and publishing	2,500	2,565	(65)
Promotion	6,000	5,731	269
Postage	1,300	1,269	31
Meals and mileage	500	77	423
Office supplies	900	977	(77)
Goodwill	500	644	(144)
Dues and memberships	1,500	2,072	(572)
Education and training	500	674	(174)
Office Equipment	1,000	15	985
Total	34,025	33,690	335
Local Government			
Wages	500	422	78
Payroll Taxes	40	32	8
Professional fees	20,100	26,868	(6,768)
Insurance	9,750	8,357	1,393
Education and training	3,000	2,990	10
Dues and memberships	800	30	770
Lake board assessment	4,500	4,446	54
Economic development	11,600	11,673	(73)
Christmas activities	3,000	3,299	(299)
May clean-up	7,000	6,560	440
Safety	200	0	200
Equipment repair	300	0	300
Fire department	28,720	28,706	14
Library contributions	3,000	3,000	0
Safe deposit box rent	25	15	10
County drain	5,600	5,892	(292)
Computers	4,500	2,074	2,426
Subscriptions	50	646	(596)
Miscellaneous	0	913	(913)
Total	102,685	105,923	(3,238)

Village of Lake Odessa  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended February 29, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Manager			
Wages	41,900	23,756	18,144
Payroll taxes and benefits	12,160	7,814	4,346
Auto Expense	1,850	593	1,257
Wellness	45	0	45
Supplies	600	232	368
Education and training	5,000	211	4,789
Dues and memberships	925	190	735
Communication	1,500	1,433	67
Meals and mileage	300	269	31
Equipment repairs and maintenance	100	0	100
Office equipment and furniture	1,000	1,331	(331)
Total	65,380	35,829	29,551
Finance Director			
Wages	22,800	23,501	(701)
Payroll taxes and benefits	11,410	10,532	878
Wellness	50	0	50
Education and training	1,500	169	1,331
Office supplies	600	51	549
Dues & memberships	100	90	10
Office equipment & furniture	1,500	381	1,119
Communication	1,200	629	571
Equipment repair and maintenance.	100	0	100
Meals and mileage	150	42	108
Total	39,410	35,395	4,015
Page Memorial Building			
Wages	4,200	2,674	1,526
Payroll taxes and benefits	510	413	97
Supplies and materials	2,000	994	1,006
Office supplies	4,000	3,148	852
Postage	1,200	386	814
Communication	2,700	2,611	89
Meals and mileage	100	0	100
Utilities	4,500	5,318	(818)
Equipment repair	2,500	1,747	753
Building repair	2,000	1,525	475
Landscaping	1,000	0	1,000
Office equipment	1,000	0	1,000
Leased assets	1,700	1,400	300
Total	27,410	20,216	7,194
Total general government	268,910	231,053	37,857

Village of Lake Odessa  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended February 29, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>Public Safety</u>			
Police			
Wages	196,125	182,935	13,190
Payroll taxes and benefits	57,560	49,461	8,099
Clothing	1,400	1,107	293
Uniform cleaning	5,600	5,534	66
Supplies	1,900	1,958	(58)
Gasoline	6,300	6,571	(271)
Insurance	14,200	14,200	0
Professional fees	8,000	7,204	796
Dare program	500	0	500
Education and training	2,300	1,207	1,093
Dues and memberships	200	368	(168)
Communication	8,200	7,571	629
Meals and mileage	1,000	1,349	(349)
Community education	600	28	572
Medical/physicals	900	896	4
Vehicle repairs	4,800	4,900	(100)
Equipment repairs	2,000	2,032	(32)
Capital outlay	3,500	282	3,218
Rentals	960	2,220	(1,260)
Range qualification	1,800	0	1,800
Subscriptions	100	0	100
Equipment	3,000	738	2,262
Miscellaneous	0	60	(60)
Total	320,945	290,621	30,324
<u>Public Services</u>			
Public works			
Wages	39,625	41,219	(1,594)
Payroll taxes and benefits	21,740	23,006	(1,266)
Wellness	90	0	90
Prisoner labor contract	4,400	3,096	1,304
Supplies	5,300	7,259	(1,959)
Medical/physicals	100	49	51
Clothing	1,000	601	399
Gasoline	3,000	2,758	242
Dues & memberships	100	87	13
Professional fees	19,000	21,847	(2,847)
Insurance	7,500	7,500	0
Alley repairs	1,000	978	22
Education and training	500	0	500
License fees	100	27	73
Communication	1,000	1,209	(209)
Meals and mileage	100	0	100
Safety	1,000	290	710

Village of Lake Odessa  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended February 29, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Utilities	2,400	2,409	(9)
Vehicle repairs	8,000	4,741	3,259
Refuse removal	600	720	(120)
Equipment repairs	3,500	4,311	(811)
Building repair	6,000	2,403	3,597
Tree repairs	7,000	13,217	(6,217)
Landscaping	500	581	(81)
Storm sewer	1,000	215	785
Office equipment	500	0	500
Equipment - shop	3,900	425	3,475
Vehicle equipment	500	0	500
Capital outlay	3,000	0	3,000
Total	142,455	138,948	3,507
<u>Public utilities</u>			
Traffic signal charges	100	91	9
Street light expense	45,000	44,252	748
Water expense	500	413	87
Sewer expense	1,600	1,512	88
Christmas outlet maintenance	500	900	(400)
Gas and electricity	0	2,159	(2,159)
Total	47,700	49,327	(1,627)
Total public services	190,155	188,275	1,880
<u>Culture and recreation</u>			
<u>Parks &amp; recreation</u>			
Wages	35,625	36,213	(588)
Payroll taxes and benefits	2,300	3,291	(991)
Supplies	1,400	1,377	23
Professional fees	2,500	1,495	1,005
Communication	200	145	55
Education and training	1,700	1,715	(15)
Utilities	3,700	5,005	(1,305)
Swift's place	1,000	1,000	0
Building repair	1,800	1,797	3
Beach project cost	500	0	500
Equipment repair	3,000	84	2,916
Landscaping	2,000	93	1,907
Building additions/improvements	6,800	0	6,800
Equipment	3,500	0	3,500
Total	66,025	52,215	13,810

Village of Lake Odessa  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended February 29, 2004

	2004		Variance
	Budget	Actual	Favorable (Unfavorable)
Arts commission			
Miscellaneous	5,100	6,851	(1,751)
Education and training	1,200	1,150	50
Art in the park	6,500	5,532	968
Entertainment	4,300	3,078	1,222
Total	<u>17,100</u>	<u>16,611</u>	<u>489</u>
Total culture and recreation	<u>83,125</u>	<u>68,826</u>	<u>14,299</u>
Debt Service			
Redemption of principle	14,200	11,000	3,200
Interest expense	0	3,147	(3,147)
Total	<u>14,200</u>	<u>14,147</u>	<u>53</u>
Total expenditures	<u>877,335</u>	<u>792,922</u>	<u>84,413</u>
Excess (deficiency) of revenues over expenditures	<u>(137,585)</u>	<u>46,419</u>	<u>(184,004)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ (137,585)</u>	<u>46,419</u>	<u>184,004</u>
Fund balance at beginning		<u>429,223</u>	
Fund balance at end of year		<u>\$ 475,642</u>	

Village of Lake Odessa  
Special Revenue Funds  
COMBINING BALANCE SHEET  
February 29, 2004

	Major Street	Local Street	Highway Fund	Total
<b>Assets</b>				
Cash	\$ 99,668	\$ 87,476	\$ 78,444	\$ 265,588
Taxes receivable	0	0	8,283	8,283
Assessment receivable	0	0	14,807	14,807
Interest receivable	331	0	0	331
Due from other funds	0	5,251	6,702	11,953
Due from other governments	21,994	7,417	0	29,411
<b>Total assets</b>	<u><u>\$ 121,993</u></u>	<u><u>\$ 100,144</u></u>	<u><u>\$ 108,236</u></u>	<u><u>\$ 330,373</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 15,425	\$ 0	\$ 45,720	\$ 61,145
Due to other funds	11,130	0	0	11,130
<b>Total liabilities</b>	26,555	0	45,720	72,275
<b>Fund Balance</b>	<u>95,438</u>	<u>100,144</u>	<u>62,516</u>	<u>258,098</u>
<b>Total liabilities and Fund balance</b>	<u><u>\$ 121,993</u></u>	<u><u>\$ 100,144</u></u>	<u><u>\$ 108,236</u></u>	<u><u>\$ 330,373</u></u>

Village of Lake Odessa  
Special Revenue Funds  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
Year Ended February 29, 2004

	Major Street	Local Street	Highway Fund	Total
Revenues				
Local sources				
Current taxes	\$ 0	\$ 0	179,372	\$ 179,372
Assessment income	0	0	20,933	20,933
Interest earnings	1,984	711	3,386	6,081
Reimbursements	0	873	0	873
Total local sources	1,984	1,584	203,691	207,259
State sources				
State transportation funds	118,336	39,814	0	158,150
Total revenues	120,320	41,398	203,691	365,409
Expenditures				
Highway and streets				
Routine maintenance	53,810	63,856	0	117,666
Administration	14,076	4,224	17,540	35,840
Professional fees	10,049	1,440	56,066	67,555
Winter maintenance	14,402	11,706	0	26,108
Storm sewer	1,158	253	0	1,411
Street construction	80,043	0	314,349	394,392
Sidewalk repair program	0	0	2,790	2,790
Total Expenditures	173,538	81,479	390,745	645,762
Excess (deficiency) of revenues over expenditures	(53,218)	(40,081)	(187,054)	(280,353)
Other financing sources (uses)				
Operating transfers in	0	32,569	0	32,569
Operating transfers (out)	(32,569)	0	0	(32,569)
Total other financing sources (uses)	(32,569)	32,569	0	0
Excess (deficiency) of revenues over expenditures & other sources (uses)	(85,787)	(7,512)	(187,054)	(280,353)
Fund balances at beginning of year	181,225	107,656	249,570	538,451
Fund balances at end of year	\$ 95,438	\$ 100,144	\$ 62,516	\$ 258,098

Village of Lake Odessa  
Proprietary Funds  
BALANCE SHEET  
February 29, 2004

	<u>Water Fund</u>
Assets	
Cash	\$ 426,863
Accounts receivable	59,408
Due from other funds	4,150
Interest receivable	828
Buildings & improvements	1,522,321
Machinery & equipment	179,206
Accumulated depreciation	<u>(502,697)</u>
Total assets	<u><u>\$ 1,690,079</u></u>
Liabilities	
Accounts payable	\$ 10,999
Due to other funds	36,685
Accrued expense	3,887
Note payable	71,499
Bonds payable	<u>255,000</u>
Total liabilities	378,070
Fund equity	
Retained earnings - Unreserved	<u>1,312,009</u>
Total fund equity	<u>1,312,009</u>
Total liabilities and fund balance	<u><u>\$ 1,690,079</u></u>

Village of Lake Odessa  
Water Fund  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL  
Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating revenues			
Charges for service	\$ 407,400	\$ 379,235	\$ (28,165)
Total operating revenues	407,400	379,235	(28,165)
Expenditures			
Labor	113,800	126,650	(12,850)
Payroll taxes and benefits	49,135	50,037	(902)
Education	1,500	971	529
Administration	34,400	32,294	2,106
Principal	55,000	0	55,000
Repairs and maintenance	100,900	25,025	75,875
Gasoline	2,500	3,552	(1,052)
Supplies	8,000	6,815	1,185
Postage	1,000	1,879	(879)
Computers	4,000	1,500	2,500
Medical/physicals	200	94	106
Utilities	25,000	27,382	(2,382)
Insurance	3,300	3,300	0
Fees	2,500	1,641	859
Communications	4,500	4,321	179
Dues	2,100	2,066	34
Professional fees	28,000	1,760	26,240
Meter replacement	5,000	7,968	(2,968)
Clothing expense	1,000	1,169	(169)
Printing and publishing	700	192	508
Equipment	28,700	3,148	25,552
Meals and mileage	500	22	478
Building rental	2,400	0	2,400
Capital outlay	95,000	1,320	93,680
Depreciation	28,000	45,043	(17,043)
Prison labor	2,500	1,952	548
Cross connection inspection	10,500	10,880	(380)
Total operating expenditures	610,135	360,981	249,154
Operating income (loss)	(202,735)	18,254	220,989
Non-operating revenues (expenses)			
Interest revenue	19,000	9,250	(9,750)
Grant	8,900	7,405	(1,495)
Interest and fees	(19,400)	(21,248)	(1,848)
Total non-operating revenues (expenses)	8,500	(4,593)	(13,093)
Net income	(194,235)	13,661	\$ 207,896
Retained earnings at beginning of year		1,298,348	
Retained earnings at end of year		\$ 1,312,009	

See accompanying notes to financial statements.

Village of Lake Odessa  
Trust and Agency Funds  
COMBINING BALANCE SHEET  
February 29, 2004

	<u>Agency</u>	<u>Pension Trust</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 6,411	\$ 0	\$ 6,411
Investments	0	433,431	433,431
Note receivable	<u>0</u>	<u>19,839</u>	<u>19,839</u>
Total assets	<u>\$ 6,411</u>	<u>\$ 453,270</u>	<u>\$ 459,681</u>
 <b>Liabilities</b>			
Due to other governments	\$ 327	\$ 0	\$ 327
Due to other funds	<u>6,084</u>	<u>0</u>	<u>6,084</u>
Total liabilities	6,411	0	6,411
 Fund balance	<u>0</u>	<u>453,270</u>	<u>453,270</u>
Total liabilities and Fund balance	<u>\$ 6,411</u>	<u>\$ 453,270</u>	<u>\$ 459,681</u>

Village of Lake Odessa  
Agency Fund  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
Year Ended February 29, 2004

	<u>Balance 3/31/2003</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 2/29/2004</u>
Trailer park fees	<u>\$ 6,411</u>	<u>\$ 2,290</u>	<u>\$ 2,290</u>	<u>\$ 6,411</u>

Independent Auditor's Report on Compliance and Internal Control Over  
Financial Reporting Based on an Audit of General Purpose Financial  
Statements Performed in Accordance with  
Government Auditing Standards

The Village Council  
Village of Lake Odessa  
Lake Odessa, Michigan

We have audited the general-purpose financial statements of the Village of Lake Odessa as of and for the year ended February 29, 2004, and have issued our report thereon dated August 30, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.


Compliance

As part of obtaining reasonable assurance about whether the Village of Lake Odessa's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Lake Odessa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information and use of management and the Village Council of the Village of Lake Odessa, and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.  
Certified Public Accountants

August 30, 2004

August 30, 2004

Village Council  
Village of Lake Odessa  
Lake Odessa, Michigan 48849

We have audited the financial statements of the Village of Lake Odessa for the year-ended February 29, 2004, and have issued our report thereon dated August 30, 2004.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the general purpose financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village of Lake Odessa. Such considerations were for the purpose of determining our audit procedures and to report on internal control in accordance with Government Auditing Standards and not to provide an assurance concerning such internal control system.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village of Lake Odessa's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on overall compliance with such provisions.

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The following comments and recommendations relate to certain of the Village's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered "reportable conditions" as defined by professional standards.

**GASB #34**

1. GASB #34 is a change that will be taking place in the accounting principals for governmental entities. This change will have a significant impact on the financial statements presented for the Village. The effective date for the Village will be for the fiscal year beginning March 1, 2004. This is in the future, but we recommend that the Village begin taking steps to be prepared for this change. The following areas should be considered:
  - a. Village personnel should continue to attend seminars and keep current on the changes and how this will affect the Village.
  - b. A detailed listing of all assets should be accumulated and maintained. This will assist in the depreciation of those assets and also assist for insurance purposes in case there is any type of loss.

This report is intended for the information use of the Village of Lake Odessa, management and others within the organization.

We appreciate the cooperation received from the finance director during our engagement and the opportunity to be of service to the Village. We would be happy to answer questions or discuss any of the above comments and recommendations. If we can be of any further assistance in implementing any recommendations, please let us know.

Very truly yours,

*Biggs, Hausserman, Thompson & Dickinson*

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.  
Certified Public Accountants